

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2002-292-E - ORDER NO. 2002-694
OCTOBER 1, 2002

IN RE: Petition of Duke Power for Approval of the)
Sale and Transfer of Property to Energy)
Delivery Services, Inc.)

ORDER APPROVING
PETITION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Petition of Duke Power (Duke or the Company), a division of Duke Energy Corporation for approval of the sale and transfer of certain Company owned and leased equipment to its indirect, wholly-owned subsidiary, Energy Delivery Services, Inc. (EDS), pursuant to S.C. Code Ann. Section 58-27-1300 (Supp. 2001). EDS currently leases the property from the Company. Collectively, the Company owned equipment to be sold to EDS had a book value of approximately \$9.1 million as of July 31, 2002 and a fair market value of approximately \$5.98 million as of July 31, 2002. With respect to the Company leased equipment, the Company will either, at EDS' election: (i) assign to EDS all of the Company's future rights and obligations under the lease agreements between the Company and various third party lessors related to the Company leased equipment (with EDS assuming all such obligations of the Company and the lessors releasing the Company from such obligations), or (ii) exercise its buy-out rights under such lease agreements with respect to the Company leased equipment and immediately thereafter sell all such equipment to EDS for the same purchase price as the Company paid under

such buy-out provisions (the aggregate purchase price under such buy-out provisions was approximately \$6.5 million as of July 31, 2002).

The Company and EDS have negotiated an Asset Purchase Agreement (the APA) for the property. Under the APA, the purchase price for the Company owned equipment is equal to the Company's book value of the equipment as of July 31, 2002; provided that such purchase price will be increased by the book value of any equipment added to the property after July 31, 2002 through the final sale date and such purchase price will be reduced by the book value of any equipment removed from the property after July 31, 2002 through the final sale date. Further, such purchase price will be adjusted by the depreciation of the Company owned equipment that accrues after July 31, 2002 through the final sale date. The contracted sale price for the Company owned equipment is higher than the appraised fair market value of such equipment as indicated by an appraisal report dated August 27, 2002.

Duke states that the original cost of the Company owned equipment being sold to EDS by the Company will be credited as a reduction of the amount carried upon the books of the Company under Account 101, Electric Plant in Service. The difference between the sale price and the original cost of such equipment will be applied to Account 421.10, Gain on Disposition of Property or Account 421.20, Loss on Disposition of Property. Duke has served a copy of the Petition on the Consumer Advocate for the State of South Carolina (the Consumer Advocate). The Consumer Advocate has not filed any objections to the Company's proposal.

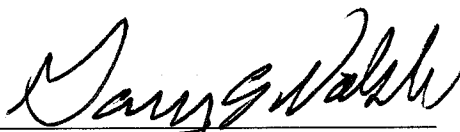
Accordingly, we hereby approve the Petition, including the sales and the accounting treatment proposed by the Company. The purchase price is the as adjusted book value of the property. The contracted sales price for the Company owned equipment is higher than the appraised fair market value of such equipment, and is therefore appropriate. The accounting treatment is also appropriate as stated by the Company.

The Petition is approved. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Mignon L. Clyburn, Chairman

ATTEST:


Gary E. Walsh, Executive Director

(SEAL)